

SAE Handbook, Lesson 7

Why Do We Keep Records?

Unit. Supervised Agricultural Experience

Problem Area. Why are records kept on the SAE program?

Student Learning Objectives. **As a result of this lesson, the student will...**

1. List ten reasons for keeping records of the SAE program.
2. Complete a simple record keeping activity.



Time

Instruction time for this lesson: 50 minutes



Resources

<http://www.cals.ncsu.edu/agexed/sae/toolbox/index.html>



Tools, Equipment and Supplies

Writing Surface
Overhead Projector
SAE.7.TM.A&B
SAE.7.SA.A
SAE.7.Assess
SAE.7.PPT (There is also a PowerPoint presentation that contains the material from this lesson.)



Key Terms

The following terms are presented in this lesson and appear in bold italics:

- ***Net Worth Statement***
- ***Journal***



Interest Approach



Activity

We have spent several days talking about SAEs. Today we are going to focus on record keeping and why it is important.

Display SAE.7.TM.A. but cover the bottom half of it.

**FIRST NATIONAL BANK
HOMETOWN, AMERICA 12345**

Dear Customer,

Recently a check was presented for payment against your account. The check was for \$15.10 and was made out to the Hometown Hardware Store. Unfortunately there were insufficient funds in your account to cover this check. The check has been returned unpaid and your account has been charged \$25 for this overdraft.

Sincerely yours,

I. M. Banker

Questions about this letter:

1. What does this mean?
2. What does "insufficient funds" mean?
3. What will Hometown Hardware do about the returned check?
4. How much will it probably cost the check writer for this "bad" check?
5. Why do you think this happened?



A friend of mine recently received this letter from the bank. Is this good news? What does this mean?

Discuss what this letter means with the class. Then ask various students to answer questions 2-5. Here are the anticipated answers.

2. What does “insufficient funds” mean? There is not enough money in the checking account to pay the check.
3. What will Hometown Hardware do about the returned check? Hometown Hardware will probably track this person down and tell them to bring the money to cover the check to the store, plus also charge the person \$20-\$25 more as a fee for writing a bad check.
4. How much will it probably cost the check writer for this “bad” check? By the time the bank fee for an insufficient fund check is paid (\$20-\$30) and the Hardware store fee for an insufficient fund check is paid (\$20-\$30), it will have cost the person \$40-\$60 for writing a bad check.
5. Why do you think this happened? There could be a variety of reasons but typically the problem is poor record keeping on the part of the check writer.

Summary of Content and Teaching Strategies

OBJECTIVE 1: List five reasons for keeping records of the SAE program.

In this class we are going to introduce students to record keeping. In later classes more detailed instruction about record keeping should occur.



One of the reasons we keep good financial records is so that we will not write bad checks. However, there are a number of other reasons why it is important to keep accurate records. You are required to keep records on your SAE program. Many of these records will be financial, but some will just be to record events that happened. When you record events and activities, this is called keeping a **journal**. What are some of the reasons for keeping SAE records? Get in groups of 2-3 students and develop a list of the reasons why SAE records should be kept.

Divide the class into small groups and give them about 5-7 minutes to develop a list of why record keeping is important.



Now I will share some reasons why record keeping is important. As we discuss the reasons, see if your group came up with the same reasons.

Display SAE.7.TM.B and discuss.

REASONS FOR KEEPING SAE RECORDS

- **To see if you made or lost money -**

You need to know if your SAE is making or losing money. We don't want to continue doing things that lose money.

- **So someone else can't cheat you out of what you have earned -**

An employer may forget to record the number of hours you work. If you have a partner in a business enterprise, good records are critical to make sure you receive your fair share of the profits.

- **To determine which parts of the business are doing well and which parts are not -**

A farm market recently decided to keep detailed records on their business and discovered, to their surprise, that the ice cream operation was losing money, but the bakery was making money. This led to an overhaul of their operation.

- **To make management decisions -**

Records will help you decide whether you need to hire additional people, reduce or increase acreage, switch to a different crop, etc.

- **For documentation purposes when seeking a loan -**

Bankers want to see a Net Worth Statement before loaning money. If you don't have financial records, it is hard to develop a Net Worth Statement. A **Net Worth Statement** is a snapshot of your current financial situation and will give you important clues about where you should concentrate your financial planning efforts. Net Worth Statements are also useful for other purposes, such as when applying for a mortgage, credit card, car loan or college financial aid.

- **To prepare your tax returns -**

You need to know how much money you made or lost and what items can be deducted in order to file a tax return.

- **For planning for future events -**

If you record the dates on which animals were bred, you can anticipate when the offspring will be born. If you record the dates on which crops were planted, you can anticipate when they will start growing and/or be ready to market.

- **To document your activities for FFA recognitions and degree purposes -**

When you fill out FFA Proficiency Award applications, you have to have the records of what you did on your SAE.

- **For legal purposes -**

You keep records to document when certain agricultural practices were performed in case there is a problem (i.e., crops all die after you apply a chemical) or to determine when a crop can be harvested after it has been treated with an agricultural chemical.

- **To help plan a budget for the next year -**

If you know how much supplies costs this year, you will have a good idea of the costs for next year and can plan your budget accordingly. You will also know how much income to expect.

OBJECTIVE 2: Complete a simple record keeping activity



Activity



Now that we know the importance of record keeping, we are going to engage in a simple record keeping activity to see how easy it really is. I will give you an activity sheet that contains some financial records and a simple record-keeping sheet. For each entry you should determine if the item is an expenditure or income item and then record it in the correct column. Then, at the end of the exercise, you should determine if the student made or lost money on this SAE activity.

Distribute SAE7.AS.A. You can either make a transparency of this sheet and work through the problem on the overhead with the students or let the students work on their own and circulate around the room helping students with problems. The correct responses are below

Record Keeping Exercise

Beth decided to operate a business selling firewood. Her father agreed to rent his truck and chainsaw to Beth on selected days during the fall of the year. Beth received permission from her uncle who lived in the country to cut up downed trees and trees that needed to be thinned on his farm. She paid him \$10 a rick for the wood. Beth advertised her business by placing flyers on grocery store bulletin boards. She also parked the truck at a busy intersection in town and sold firewood out of the back of the truck. Following is some information from her record book:

Sept. 15 –	Bought a pair of work gloves at Walmart. \$12.95 (1 hour)
Sept. 20 –	Bought an axe, sledge hammer and splitting wedge at Lowes - \$69.65 (1 hour)
Sept. 22 –	Cut firewood at Uncle Bill's. Cut up 10 ricks and paid Uncle Bill \$100, (8 hours)
Sept. 22 –	Bought gas and oil for chainsaw - \$9.15 (1/2 hour)
Sept. 22 –	Paid rent on chainsaw and truck - \$25
Sept. 26 –	Made up advertising signs and copied them at Kinko's and then placed them in grocery stores- \$10.00 (2 hours)
Sept. 29 –	Sold 5 ricks of firewood at \$50 a rick - \$250 (worked 8 hours)
Sept. 29 –	Paid rent on truck - \$20
Oct. 1 –	Sold and delivered 3 ricks of firewood at \$60 a rick – \$180 (worked 3 hours)
Oct. 1 –	Paid rent on truck - \$10
Oct. 6 –	Cut firewood at Uncle Bill's. Cut up 10 ricks and paid Uncle Bill \$100. (8 hours)
Oct. 6 –	Bought gas and oil for chainsaw - \$8.25 (1/2 hour)
Oct. 6 –	Paid rent on chainsaw and truck - \$25
Oct. 10 –	Sold and delivered 4 ricks of firewood at \$60 a rick - \$240 (worked 4 hours)
Oct. 10 –	Paid rent on truck - \$10
Oct. 13 –	Sold 6 ricks of firewood at \$50 a rick - \$300 (worked 9 hours)
Oct. 13 –	Paid rent on truck - \$20

Here is the answer sheet:

Date	Activity/Item	Hours	Expense	Income
Sept. 15	Bought work gloves	1	12.95	--
Sept. 20	Bought supplies	1	69.65	
Sept. 22	Cut firewood	8	100.00	
Sept. 22	Gas and oil	.5	9.15	
Sept. 22	Rent on chainsaw and truck	-	25.00	
Sept. 26	Advertising	2	10.00	
Sept. 29	Sold 5 ricks of firewood	8	--	250.00
Sept. 29	Rent on truck	-	20.00	
Oct. 1	Sold 3 ricks of firewood	3	-	180.00
Oct. 1	Rent on truck	-	10.00	
Oct. 6	Cut firewood	8	100.00	
Oct. 6	Gas and oil	.5	8.25	
Oct. 6	Rent on truck and chainsaw		25.00	
Oct. 10	Sold 4 ricks of firewood	4		240.00
Oct. 10	Paid rent on truck		10.00	
Oct. 13	Sold 6 ricks of firewood	9		300.00
Oct. 13	Paid rent on truck	-	20.00	
Totals		45	420.00	970.00
Profit or Loss				550.00

(To indicate profit or loss subtract, the total expenses from the total income. Put a minus sign in front of the number if there is a loss)



Did Beth make or lose money? How much?

Beth made \$550. If the students do not have time to complete the activity in class, have them take it home and complete it.

Distribute SAE.7.Assess



Review/Summary

Ask several students why it is important to keep records.



Application

Extended Classroom Activity:

Have the students ask their parents how they keep the family's financial records.

FFA Activity:

Have students look in the FFA manual to see how much money has to be earned or hours worked in the SAE to earn the chapter, state and American degrees.

SAE Activity:

Fill out the introductory pages in the SAE record keeping system used in the school.

Evaluation:

SAE.7.Assess

Answers to Assessment:

1. See SAE.7.TM.B for possible answers
2. B
3. C

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To help plan a budget for the next year -

If you know how much supplies costs this year, you will have a good idea of the costs for next year and can plan your budget accordingly. You will also know how much income to expect.

SAE.7.AS.A

Name _____

Record Keeping Exercise

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The record keeping form is on the next page.

Note: Place the items from above in the record keeping form below. For each item that has money involved, it will either be an expense or income. It will not be both. Two items have already been entered.

Date	Activity/Item	Hours	Expense	Income
Sept. 15	Bought work gloves	1	12.95	--
Sept. 29	Sold 5 ricks of firewood	8	--	250.00
Totals				
Profit or Loss				

(To indicate profit or loss subtract, the total expenses from the total income. Put a minus sign in front of the number if there is a loss)

Name _____

Why Do We Keep Records?

1. List five reasons for keeping records (2 points each)

Multiple choice (2 points each)

_____ 2. Keeping a record of FFA activities, observations and other non-financial data is called keeping a:

- A. Blog
- B. Journal
- C. Diary
- D. Tally

_____ 3. A _____ is a snapshot of your current financial situation and will give you important clues about where you should concentrate your financial planning efforts.

- A. Expenditure
- B. Balance Sheet
- C. Net Worth Statement
- D. Depreciation schedule